

It Keeps Going and Going and Going!

Demand for distribution space in the Atlanta industrial market kept going on its powerful run in the fourth quarter of 2016. This marked 19 quarters in a row of positive net absorption. Activity for the fourth quarter alone was over 15.2 million square feet - the fourth highest number ever recorded for a single quarter. This strong close led to a four-quarter total of over 59 million square feet - the third highest number ever recorded for a four-quarter period.

To highlight just how solid recent industrial activity has been in the Atlanta market, in 2007 we set a record for activity with just over 50.4 million square feet. During the past three years, activity has not been below 53 million square feet for any rolling four-quarter period. In fact, activity has exceeded 59 million square feet on three occasions. That's an energetic market!

Needless to say, robust activity leads to positive net absorption. The fourth quarter of 2016 was no exception. The Atlanta industrial market experienced over 5.6 million square feet of positive net absorption – again, the fourth highest number ever recorded for a single quarter. This impressive absorption led to almost 18.9 million square feet of positive net absorption for 2016.

With the nonstop activity and persistent positive net absorption we have enjoyed over the past three years, we have seen the availability rate drop dramatically. This rate has fallen from 16.4 percent at the close of 2013 to 11.9 percent at the close of 2016 - the lowest seen in 23 years!

Diminishing available industrial space has been the catalyst for the revitalization of new construction. In 2016, we saw over 16.2 million square feet of new construction in the Atlanta industrial market. Additionally, a whopping 79 percent (12.8 million square feet) of that total sprang to life as speculative construction – a higher percentage spec than this market has seen in the last 10 years.

Service center space in Atlanta has also seen brisk activity and positive net absorption over the past few years. At the close of 2016, the availability rate fell to 19.8 percent - the first time below 20 percent since the beginning of 2002. After posting its high of 30.1 percent in the first quarter of 2011, this is just one more show of energy in the Atlanta market.

Twenty-sixteen was a GREAT YEAR. Let's recharge our batteries for 2017 and keep going and going and going for another GREAT YEAR.

Sim F. Doughtie, CCIM, SIOR, MCR, SLCR
President

Total Market

	Total Inventory	Net Absorption	Total Available	% Available	Total Activity	# of Deals	Avg SF Per Deal
Distribution	659,792,212	5,642,889	78,417,220	11.9%	15,253,173	684	22,300
Service Center	25,218,165	868	4,994,864	19.8%	492,568	121	4,071

Fourth Quarter 2016

	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
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Market Maps

CITY OF ATLANTA

Distribution	50,567,759	7.7%	6,066,035	12.0%	910,513	75
Service Center	894,769	3.5%	157,222	17.6%	7,760	3

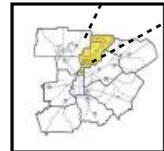
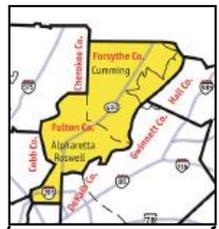
The distribution sector of the City of Atlanta region ran out of power in the closing quarter of 2016. Activity held strong at 910,513 square feet, but the instability of this evolving market took its toll. Net absorption fell to -211,180 square feet, a return to negative numbers after four quarters above the line. The availability rate took only a small hit and rose to 12.0 percent - oh, so close to the metro average of 11.9 percent. The service center sector couldn't pull together much in the way of activity. The 7,760 square feet of deals left the door open for negative net absorption. The -12,838 recorded added 1.5 percent to the availability rate. Fortunately, the 17.6 percent on record is below the metro average of 19.8 percent.



GA 400

Distribution	27,416,640	4.2%	2,417,193	8.8%	440,128	55
Service Center	3,482,433	13.8%	586,570	16.8%	68,259	12

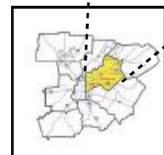
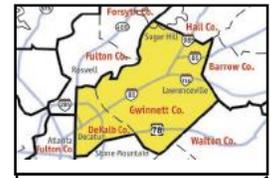
It was a lackluster year-end for the GA 400 distribution sector. Activity slipped to 440,128 square feet. Fortunately, it was enough to keep net absorption positive at 17,036 square feet. Two spec projects totaling 163,297 square feet were added to inventory and added half a percent to the availability rate in the process. However, closing at 8.8 percent, it remains below the metro average of 11.9 percent. Activity in the service center sector took a tiny step up to 68,259 square feet. Unfortunately, net absorption fell to 6,594 square feet. The availability rate still benefited dropping to 16.8 percent – a full three percent below the metro average of 19.8 percent.



I-85 NORTHEAST

Distribution	166,857,997	25.3%	17,617,401	10.6%	3,233,502	190
Service Center	10,421,821	41.3%	2,328,971	22.3%	223,800	63

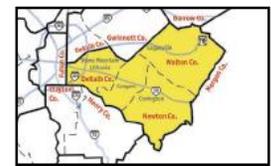
The I-85 Northeast distribution sector was in low gear in the fourth quarter, but crossed the finish line on a positive note. Activity came in at 3,233,502 square feet, but tenant departures reduced that activity to 553,329 square feet of net absorption. The addition of 519,402 square feet of spec construction allowed the availability rate to drop only one-tenth of a percent. Closing the quarter at 10.6 percent, the rate remains below the metro average of 11.9 percent. By far the largest of the service center sectors, it's no wonder this region won first place in activity. Thanks to tenant departures however, the 223,800 square feet booked was reduced to 29,992 square feet of net absorption. The availability rate of 22.3 percent far exceeds the metro average of 19.8 percent.



I-20 EAST

Distribution	54,175,713	8.2%	3,446,836	6.4%	1,012,773	43
Service Center	932,245	3.7%	123,138	13.2%	15,900	2

The distribution sector of the I-20 East region is on a roll. Activity was up to 1,012,773 square feet allowing net absorption to post at 376,402 square feet. After thirteen consecutive quarters in positive territory, the availability rate is down to 6.4 percent, five and a half percent below the metro average of 11.9 percent. One 60,000 square foot build-to-suit project materialized during the quarter. The service center sector made the most of the two deals it scrapped together. All tenants remained in place allowing the 15,900 square feet of activity to cross over to net absorption. The availability rate responded and fell to 13.2 percent – the low among the service center sectors.



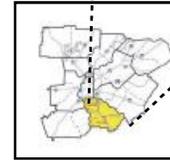
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
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Market Maps

AIRPORT/I-75 SOUTH

Distribution	83,387,087	12.6%	14,294,210	17.1%	3,862,787	91
Service Center	1,033,875	4.1%	306,813	29.7%	15,992	6

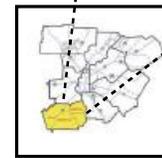
The Airport/I-75 South distribution sector went out with a bang! Activity of 3,862,787 square feet and net absorption of 2,068,095 square feet took first prize among its peers. Additionally, one 699,732 square foot spec and one 402,330 square foot build-to-suit were added to inventory. The blemish stands in the availability rate of 17.1 percent – the high among the distribution sectors and well above the metro average of 11.9 percent. The service center sector followed a different path. Activity fell to 15,992 square feet. Worse than that, net absorption went below the break-even mark and closed at -18,381 square feet. The availability rate held on to last place at 29.7 percent – almost 10 percent above the metro average of 19.8 percent.



I-85 SOUTHWEST

Distribution	21,905,216	3.3%	1,377,590	6.3%	173,782	16
Service Center	215,063	0.9%	31,250	14.5%	3,000	2

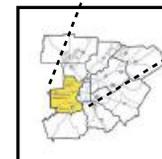
It was not the stellar performance seen in the third quarter, but the I-85 Southwest distribution sector witnessed a second successful quarter. Activity of only 173,782 square feet was the low among its peers, but enough tenants remained in place to allow net absorption of 52,012 square feet. Far below the metro average of 11.9 percent, the 6.3 percent availability rate retains the title of first place. After sitting last quarter out, the service center sector pulled in two deals totaling 3,000 square feet. Half that total is all that landed in net absorption. In this teeny region, even that 1,500 square feet of positive net absorption affected the availability rate. Closing at 14.5 percent, this rate remains well below the metro average of 19.8 percent.



I-20 WEST/FULTON INDUSTRIAL

Distribution	138,198,068	20.9%	18,181,803	13.2%	3,285,274	75
Service Center	1,889,128	7.5%	397,513	21.0%	6,000	1

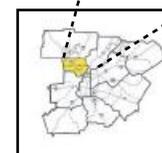
The distribution sector of the I-20 West/Fulton Industrial region stayed the course. Activity was up to 3,285,274 square feet and net absorption inched up to 1,572,878 square feet. Despite the addition of a 281,057 square foot spec project, the availability rate still fell 1.3 percent stopping at 13.2 percent – one step closer to the metro average of 11.9 percent. The service center sector fell short again this quarter. Activity plummeted to 6,000 square feet. Net absorption took an even larger descent falling to -79,946 square feet. The availability rate jumped over three percent to 21.0 percent – now above the metro average of 19.8 percent.



I-75 NORTH

Distribution	36,225,633	5.5%	4,101,318	11.3%	732,503	73
Service Center	4,986,415	19.8%	787,244	15.8%	98,676	15

The I-75 North distribution sector posted a full year in positive territory. Fourth quarter activity rose to 732,503 square feet and net absorption hopped up to 266,054 square feet. The availability rate slipped down to 11.3 percent remaining below the metro average of 11.9 percent. Two build-to-suit projects totaling 33,832 square feet were added to inventory. The service center sector saw a three-peat in the closing quarter of 2016. Activity was down to 98,676 square feet, but net absorption was positive for a third consecutive quarter. The 44,214 square feet recorded dropped the availability rate below the metro average of 19.8 percent to 15.8 percent.



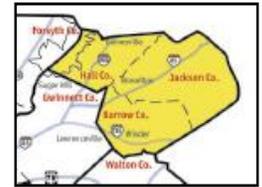
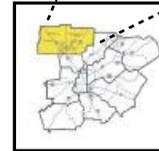
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Market Maps

NORTHWEST

Distribution	31,533,581	4.8%	3,369,126	10.7%	601,127	24
Service Center	576,112	2.3%	153,821	26.7%	9,750	2

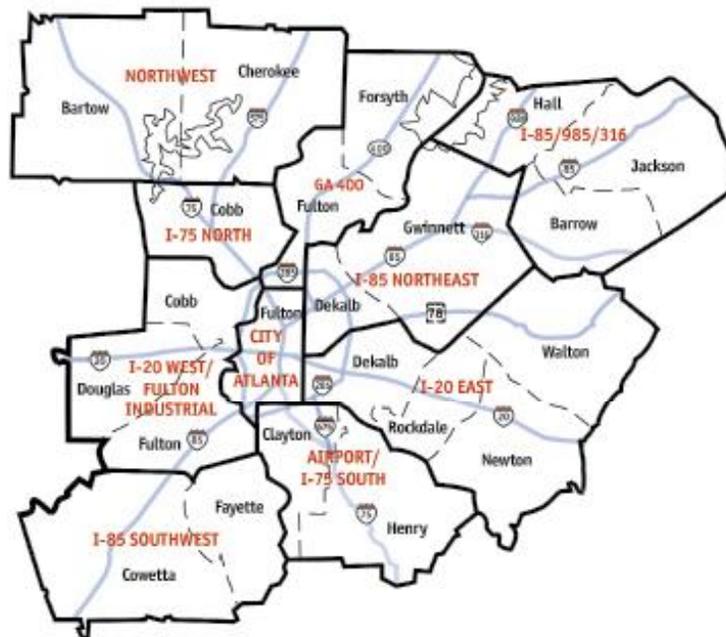
The distribution sector of the Northwest region can call 2016 a successful year. Activity of 601,127 square feet was the lowest seen this year, but enough for positive net absorption of 195,799 square feet. The addition of a 300,000 square foot spec building offset that net absorption and pushed the availability rate up a bit to 10.7 percent – still below the metro average of 11.9 percent. A 180,000 square foot build-to-suit was also added. The service center sector eked out on the right side of the line again this quarter. Activity of 9,750 square feet was reduced by tenant turmoil and net absorption dropped to 2,833 square feet. The availability rate responded and dropped to 26.7 percent – a far cry for the metro average of 19.8 percent.



I-85/316/985

Distribution	49,524,518	7.5%	7,545,708	15.2%	1,000,784	42
Service Center	786,304	3.1%	122,322	15.6%	43,431	15

The I-85/316/985 distribution sector benefited in 2016 as well. Activity posted at 1,000,784 square feet ushering in net absorption of 752,464 square feet – four straight quarters of positive net absorption. The availability rate responded by whittling off half a percent closing the quarter at 15.2 percent – clearly still above the metro average of 11.9 percent. The service center sector also saw a positive end to the year. Activity rose to 43,431 square feet. Better news was the increase in net absorption to 11,000 square feet. The availability rate dropped almost two percent, falling to 15.6 percent – more than four percent below the metro average of 19.8 percent.



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